

WAPELLO COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

JUNE 30, 2012

WAPELLO COUNTY, IOWA

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WAPELLO COUNTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Parker	Board of Supervisors	January 2015
Greg Kenning	Board of Supervisors	January 2015
Steve Siegel	Board of Supervisors	January 2013
Kelly Spurgeon	County Auditor	January 2013
Dianne L. Kiefer	County Treasurer	January 2015
Joyce Hass	County Recorder	January 2015
Donald Kirkendall	County Sheriff	January 2013
Lisa Holl	County Attorney	January 2015
Gary Smith	County Assessor	January 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Wapello County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wapello County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Wapello County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wapello County, Iowa at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2013 on our consideration of Wapello County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapello County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of

the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 19, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2012 FINANCIAL HIGHLIGHTS**

- ◆ County revenue increased 15.5%, or \$3,139,563 from fiscal year 2011 to 2012.
- ◆ County program expenses were 1.9% or \$395,779 more in fiscal year 2012 than in 2011.
- ◆ The County's net assets increased 7.6%, or \$2,659,684, during the year ended June 30, 2012.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wapello County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapello County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapello County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year as well as presenting the Schedule of Funding Progress For the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds are used to account for the County's Internal Service Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental activities.

### Net Assets of Governmental Activities

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 22,422,240	\$ 23,166,800
Capital assets	<u>29,969,762</u>	<u>27,486,132</u>
Total assets	<u>52,392,002</u>	<u>50,652,932</u>
Long-term debt outstanding	3,191,175	3,514,914
Other liabilities	<u>11,416,036</u>	<u>12,012,911</u>
Total liabilities	<u>14,607,211</u>	<u>15,527,825</u>
Net assets:		
Invested in capital assets, net of related debt	27,824,239	24,994,654
Restricted	7,711,869	8,204,443
Unrestricted	<u>2,248,683</u>	<u>1,926,010</u>
Total net assets	\$ <u>37,784,791</u>	\$ <u>35,125,107</u>

Net assets of the County's governmental activities increased by 7.6% (\$37,784,791 compared to \$35,125,107). The largest portion of the County's net assets is the investment in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,926,010 at June 30, 2011 to \$2,248,683 at June 30, 2012, an increase of 16.8%.

### Changes in Net Assets of Governmental Activities

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for service	\$ 998,254	\$ 1,345,600
Operating grants, contributions and restricted interest	10,970,463	11,320,969
Capital grants, contributions and restricted interest	3,757,472	133,996
General revenues:		
Property and other County tax	7,046,593	6,831,727
Unrestricted investment earnings	9,567	12,538
Other general revenues	<u>674,666</u>	<u>672,622</u>
Total revenues	<u>23,457,015</u>	<u>20,317,452</u>
Expenses:		
Public safety and legal services	3,777,243	3,802,629
Physical health and social services	1,414,055	1,655,859
Mental health	5,010,589	4,288,920
County environment and education	873,619	1,044,666
Roads and transportation	5,896,384	5,985,640
Governmental services to residents	688,682	582,507
Administration	2,934,222	2,846,461
Non-program	129,112	115,433
Interest on long-term debt	<u>73,425</u>	<u>79,437</u>
Total expenses	<u>20,797,331</u>	<u>20,401,552</u>
Changes in net assets	2,659,684	(84,100)
Net assets – Beginning of year	<u>35,125,107</u>	<u>35,209,207</u>
Net assets – End of year	\$ <u>37,784,791</u>	\$ <u>35,125,107</u>



The results of governmental activities for the year resulted in Wapello County, Iowa's net assets increasing by \$2,659,684. Revenues for governmental activities increased by \$3,139,563 from the prior year, including increases in capital grants, contributions and restricted interest. Expenditures increased by \$395,779 including increases in mental health expenses.

The cost of all governmental activities this year was \$20,797,331 compared to \$20,401,522 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,071,142 because some of the cost was paid by those directly benefited from the programs (\$998,254) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14,727,935).

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$9,987,483, which is a decrease of \$306,018 from last year's total of \$10,293,501.

- General Fund revenues and expenditures increased by 4.7% and 1.6%, respectively, when compared to the prior year. The ending fund balance showed an increase from the prior year of \$85,068 from \$3,282,186 to \$3,367,254.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$5,024,991, an increase of 16.2% from the prior year. The Mental Health Fund balance at year end increased by \$147,863 (\$869,918 in prior year) from the prior year due to increased expenditures.
- Secondary Roads Fund revenues decreased \$545,962 from the prior year. As a result, there was a decrease in the Secondary Roads Fund ending balance of \$140,231, or 18.2%.
- LEC maintenance transfers out increased \$475,000 from the previous year and its ending fund balance decreased from the prior year by \$545,881 to \$2,140,967.
- During the year ended June 30, 2012, I Jobs revenues and expenditures were \$3,717,563 and \$3,717,546 respectively resulting in an ending fund balance of \$17.
- During the year ended June 30, 2012, transfers in to the capital projects fund increased \$462,516 from the prior year. At the end of the year, the ending fund balance in the Capital Projects Fund had increased to \$457,959.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wapello County, Iowa amended its budget two times. The first amendment was made on December 6, 2011, and the second amendment was made on May 15, 2012. These amendments resulted in increases in budgeted disbursements in certain County departments.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2012, Wapello County, Iowa had \$29,969,762 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions, deletions and depreciation) of \$2,483,630 or 9.0% more than the prior year. The majority of this increase was due to construction in progress.

#### **Capital Assets of Governmental Activities at Year End**

	<u>2012</u>	<u>2011</u>
Land	\$ 1,322,742	\$ 1,322,742
Construction in progress	3,007,162	-
Buildings (net)	10,695,543	11,188,882
Machinery and equipment (net)	1,583,149	1,750,007
Infrastructure (net)	<u>13,361,166</u>	<u>13,224,501</u>
Totals	\$ <u>29,969,762</u>	\$ <u>27,486,132</u>
The year's major additions included:		
Construction in progress	\$ 3,007,162	\$ -
Buildings	-	22,000
Machinery and equipment	207,665	602,659
Infrastructure	<u>1,128,756</u>	<u>862,795</u>
	\$ <u>4,343,583</u>	\$ <u>1,487,454</u>

The County had depreciation expense of \$1,859,953 for the year ended June 30, 2012, and total accumulated depreciation as of June 30, 2012 of \$31,169,769.

#### Long-term Debt

At June 30, 2012, the County had \$3,191,175 in general obligation notes and other debt compared to \$3,514,914 at June 30, 2011, as shown below.

#### Outstanding Debt of Governmental Activities at Year-End

	<u>2012</u>	<u>2011</u>
Installment purchases	\$ 15,722	\$ 40,136
General obligation capital loan notes	1,835,000	2,065,000
Capital leases	294,801	386,342
Compensated absences	701,863	720,540
Net OPEB liability	<u>343,789</u>	<u>302,896</u>
Totals	\$ <u>3,191,175</u>	\$ <u>3,514,914</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$52,217,512. Other obligations include accrued vacation pay and sick leave, installment purchases, capital leases and net OPEB liability. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Wapello County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of October 2012) now stands at 6.6% versus 7.0% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 7.5%.

Inflation in the State is slightly higher than the national Consumer Price Index increase. The State's CPI increase was 4.64% for fiscal year 2012 compared with the national increase of 3.76%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are decreasing by \$3,643,311 compared to the final fiscal year 2012 budget. Intergovernmental revenues are expected to make up the majority of this decrease. Budgeted disbursements are expected to decrease by \$3,651,565 compared to the final fiscal year 2012 budget. Decreases in capital projects expenditures represent the majority of the decrease. The County has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$3,020,060 by the close of fiscal year 2013.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Wapello County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wapello County Auditor's Office, 101 West Fourth Street, Ottumwa, Iowa.

WAPELLO COUNTY, IOWASTATEMENT OF NET ASSETSJUNE 30, 2012Governmental  
ActivitiesASSETS:

Cash and pooled investments	\$ 11,381,509
Receivables:	
Property tax:	
Delinquent	58,146
Succeeding year	9,790,031
Accounts	139,221
Interest	5,485
Due from other governments	796,530
Inventories	251,318
Capital assets (net of accumulated depreciation)	29,969,762
Total assets	<u>52,392,002</u>

LIABILITIES:

Accounts payable	889,238
Salaries and benefits payable	66,737
Due to other governments	670,030
Deferred revenue:	
Succeeding year property tax	9,790,031
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	235,000
Compensated absences	701,863
Installment purchases	15,722
Capital leases	100,855
Portion due or payable after one year:	
General obligation bonds	1,600,000
Capital leases	193,946
Net OPEB liability	343,789
Total liabilities	<u>14,607,211</u>

NET ASSETS:

Invested in capital assets, net of related debt	27,824,239
Restricted for:	
Supplemental levy	1,091,640
Mental health	2,444,449
Secondary roads	630,569
LEC maintenance	2,140,967
I Jobs	17
Capital projects	457,959
Other purposes	946,268
Unrestricted	2,248,683
Total net assets	\$ <u>37,784,791</u>

## WAPELLO COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
Governmental activities:					
Public safety and legal services	\$ 3,777,243	\$ 372,508	\$ 113,505	\$ -	\$ (3,291,230)
Physical health and social services	1,414,055	168,513	215,843	-	(1,029,699)
Mental health	5,010,589	19,163	5,162,466	-	171,040
County environment and education	873,619	71,464	710,871	-	(91,284)
Roads and transportation	5,896,384	158,305	3,846,079	3,757,472	1,865,472
Governmental services to residents	688,682	60,882	817,288	-	189,488
Administration	2,934,222	147,419	104,411	-	(2,682,392)
Non-program	129,112	-	-	-	(129,112)
Interest on longterm debt	73,425	-	-	-	(73,425)
Total	\$ 20,797,331	\$ 998,254	\$ 10,970,463	\$ 3,757,472	(5,071,142)
<b><u>GENERAL REVENUES:</u></b>					
Property and other County tax levied for:					
General purposes					6,216,336
Debt service					314,057
Local option tax					340,958
Penalty and interest on property tax					175,242
State tax credits					256,525
Unrestricted investment earnings					9,567
Gain on disposal of capital assets					1,038
Miscellaneous					417,103
Total general revenues					7,730,826
CHANGE IN NET ASSETS					2,659,684
<u>NET ASSETS</u> - Beginning of year					35,125,107
<u>NET ASSETS</u> - End of year					\$ 37,784,791

WAPELLO COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

<u>ASSETS</u>	<u>General</u>	<u>MH-DD</u>	<u>Special Revenue</u>	
			<u>Secondary Roads</u>	<u>LEC Maintenance</u>
Cash and pooled investments	\$ 3,337,463	\$ 3,129,866	\$ 343,489	\$ 2,145,180
Receivables:				
Property tax:				
Delinquent	37,089	13,672	-	-
Succeeding year	6,244,588	2,301,986	-	-
Accounts	84,494	-	41,777	5,765
Due from other governments	147,680	4,449	164,401	-
Inventories	-	-	251,318	-
<b>TOTAL ASSETS</b>	<b>\$ 9,851,314</b>	<b>\$ 5,449,973</b>	<b>\$ 800,985</b>	<b>\$ 2,150,945</b>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 131,668	\$ 57,488	\$ 150,077	\$ 9,978
Salaries and benefits payable	41,532	562	19,413	-
Due to other governments	35,713	632,903	926	-
Deferred revenue:				
Succeeding year property tax	6,244,588	2,301,986	-	-
Other	30,559	12,585	-	-
Total liabilities	6,484,060	3,005,524	170,416	9,978
 <u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	251,318	-
Restricted for:				
Debt Service	-	-	-	-
Supplemental Levy Purposes	1,091,640	-	-	-
Mental Health	-	2,444,449	-	-
Secondary Roads	-	-	379,251	-
LEC Maintenance	-	-	-	2,140,967
Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Unassigned	2,275,614	-	-	-
Total fund balances	3,367,254	2,444,449	630,569	2,140,967
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,851,314</b>	<b>\$ 5,449,973</b>	<b>\$ 800,985</b>	<b>\$ 2,150,945</b>

<u>I Jobs</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 13	\$ 398,270	\$ 915,898	\$ 10,270,179
-	-	7,385	58,146
-	-	1,243,457	9,790,031
4	-	7,170	139,210
260,384	109,546	110,070	796,530
-	-	-	251,318
<u>\$ 260,401</u>	<u>\$ 507,816</u>	<u>\$ 2,283,980</u>	<u>\$ 21,305,414</u>
\$ 260,384	\$ 49,857	\$ 81,391	\$ 740,843
-	-	5,230	66,737
-	-	488	670,030
-	-	1,243,457	9,790,031
-	-	7,146	50,290
<u>260,384</u>	<u>49,857</u>	<u>1,337,712</u>	<u>11,317,931</u>
-	-	-	251,318
-	-	47,660	47,660
-	-	-	1,091,640
-	-	-	2,444,449
-	-	-	379,251
-	-	-	2,140,967
-	457,959	-	457,959
17	-	898,608	898,625
-	-	-	2,275,614
<u>17</u>	<u>457,959</u>	<u>946,268</u>	<u>9,987,483</u>
<u>\$ 260,401</u>	<u>\$ 507,816</u>	<u>\$ 2,283,980</u>	<u>\$ 21,305,414</u>

WAPELLO COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

TOTAL GOVERNMENTAL FUND BALANCES	\$ 9,987,483
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$61,139,531 and the accumulated depreciation is \$31,169,769.	29,969,762
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	962,946
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Because some revenues will not be collected for several months after year end they are deferred or not recorded in the governmental funds, as follows:

Property tax	50,290
Interest	5,485

Long-term liabilities, including installment purchases, general obligation capital loan notes, capital leases, compensated absences and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(3,191,175)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>37,784,791</u>
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WAPELLO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

		<u>Special Revenue</u>	
	<u>General</u>	<u>MH-DD</u>	<u>Secondary Roads</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 6,193,758	\$ 2,333,167	\$ -
Interest and penalty on property tax	174,129	-	-
Intergovernmental	1,219,866	2,820,524	2,476,145
Licenses and permits	100	-	4,750
Charges for service	818,021	10,105	4,780
Use of money and property	166,443	-	-
Miscellaneous	389,196	9,058	148,775
Total revenues	<u>8,961,513</u>	<u>5,172,854</u>	<u>2,634,450</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	3,362,055	-	-
Physical health and social services	1,394,509	-	-
Mental health	-	5,024,991	-
County environment and education	494,795	-	-
Roads and transportation	-	-	3,627,735
Governmental services to residents	607,478	-	-
Administration	2,739,973	-	-
Non-program	128,671	-	-
Debt service	-	-	-
Capital projects	-	-	12,950
Total expenditures	<u>8,727,481</u>	<u>5,024,991</u>	<u>3,640,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>234,032</u>	<u>147,863</u>	<u>(1,006,235)</u>
Other financial sources (uses):			
Sale of capital assets	1,036	-	-
Transfers in	-	-	1,000,000
Transfers out	<u>(150,000)</u>	<u>-</u>	<u>(133,996)</u>
Total other financing sources (uses)	<u>(148,964)</u>	<u>-</u>	<u>866,004</u>
Net change in fund balances	85,068	147,863	(140,231)
<u>FUND BALANCES</u> - Beginning of year	<u>3,282,186</u>	<u>2,296,586</u>	<u>770,800</u>
<u>FUND BALANCES</u> - End of year	\$ <u>3,367,254</u>	\$ <u>2,444,449</u>	\$ <u>630,569</u>

See Notes to Financial Statements



Special Revenue		Capital Projects	Nonmajor Governmental Funds	Total
LEC Maintenance	I Jobs			
\$ -	\$ -	\$ 686,864	\$ 2,012,787	\$ 11,226,576
-	-	-	-	174,129
-	3,717,546	-	79,191	10,313,272
-	-	-	59,354	64,204
-	-	-	12,099	845,005
25,086	17	-	31,763	223,309
19,077	-	-	7,682	573,788
<u>44,163</u>	<u>3,717,563</u>	<u>686,864</u>	<u>2,202,876</u>	<u>23,420,283</u>
115,044	-	-	160,175	3,637,274
-	-	-	-	1,394,509
-	-	-	-	5,024,991
-	-	-	351,042	845,837
-	-	-	257,717	3,885,452
-	-	-	3,902	611,380
-	-	-	9,313	2,749,286
-	-	-	-	128,671
-	-	-	303,426	303,426
-	3,717,546	1,246,030	169,985	5,146,511
<u>115,044</u>	<u>3,717,546</u>	<u>1,246,030</u>	<u>1,255,560</u>	<u>23,727,337</u>
<u>(70,881)</u>	<u>17</u>	<u>(559,166)</u>	<u>947,316</u>	<u>(307,054)</u>
-	-	-	-	1,036
-	-	608,996	-	1,608,996
<u>(475,000)</u>	<u>-</u>	<u>-</u>	<u>(850,000)</u>	<u>(1,608,996)</u>
<u>(475,000)</u>	<u>-</u>	<u>608,996</u>	<u>(850,000)</u>	<u>1,036</u>
(545,881)	17	49,830	97,316	(306,018)
<u>2,686,848</u>	<u>-</u>	<u>408,129</u>	<u>848,952</u>	<u>10,293,501</u>
\$ <u>2,140,967</u>	\$ <u>17</u>	\$ <u>457,959</u>	\$ <u>946,268</u>	\$ <u>9,987,483</u>

WAPELLO COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (306,018)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 4,343,583	
Depreciation expense	<u>(1,859,953)</u>	2,483,630

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred or not recorded in the governmental funds, as follows:

Property tax	36,162	
Interest	<u>(466)</u>	35,696

Proceeds from issuing long term liabilities provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid		345,955
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	18,677	
Net OPEB liability	<u>(40,893)</u>	(22,216)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to the individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

122,637

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,659,684

WAPELLO COUNTY, IOWASTATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012Internal Service -  
Wapello County  
Employee HealthASSETS:

## Current assets:

Cash and cash equivalents

\$ 1,111,330

## Receivables:

Accounts

11

## TOTAL ASSETS

1,111,341LIABILITIES:

## Current liabilities:

Accounts payable

148,395NET ASSETS:

Unrestricted

\$ 962,946

WAPELLO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	Internal Service - Wapello County <u>Employee Health</u>
<u>OPERATING REVENUES:</u>	
Reimbursements from operating funds	\$ 2,076,903
<u>OPERATING EXPENSES:</u>	
Medical claims	<u>1,954,429</u>
Operating income	122,474
<u>NON-OPERATING REVENUES:</u>	
Interest on investments	<u>163</u>
NET INCOME	122,637
<u>NET ASSETS</u> - Beginning of year	<u>840,309</u>
<u>NET ASSETS</u> - End of year	\$ <u>962,946</u>

WAPELLO COUNTY, IOWA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

Internal Service -  
 Wapello County  
Employee Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements	\$ 2,262,980
Cash payments to suppliers for services	<u>(1,973,822)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	289,158

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>163</u>
-------------------------	------------

NET INCREASE IN CASH AND CASH EQUIVALENTS 289,321

CASH AND CASH EQUIVALENTS - Beginning of year 822,009

CASH AND CASH EQUIVALENTS - End of year \$ 1,111,330

RECONCILIATION OF OPERATING INCOME TO NETCASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 122,474
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	186,077
Decrease in accounts payable	<u>(19,393)</u>
Net cash provided by operating activities	\$ <u>289,158</u>

WAPELLO COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2012

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 2,185,206
Other County officials	117,271
Receivables:	
Accounts receivable	25,493
Property tax receivable:	
Delinquent	182,467
Succeeding year	30,722,622
Due from other governments	11,011
Total assets	<u>33,244,070</u>

LIABILITIES

Accounts payable	8,805
Due to other governments	33,174,796
Compensated absences	16,271
Trusts payable	44,198
Total liabilities	<u>33,244,070</u>

NET ASSETS      \$ -

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wapello County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Wapello County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Wapello County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

The drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Wapello County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Wapello County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The MH-DD Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The LEC Maintenance Fund is used to account for local option tax funds received for maintenance of the Law Enforcement Center.

The I Jobs fund is used to account for I Jobs revenues received from the state of Iowa to be used for the construction of the Chillicothe bridge project.



WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Capital Projects

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Infrastructure	15-50
Buildings	25-50
Building improvements	25-50
Intangibles	5-20
Equipment	5-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, MH-DD, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Wapello County Employee Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,281,111 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	\$ <u>1,000,000</u>	General Fund	\$ 150,000
		Rural Services	<u>850,000</u>
			<u>1,000,000</u>
Capital Projects	<u>608,996</u>	Secondary Roads	133,996
		LEC Maintenance	<u>475,000</u>
			<u>608,996</u>
	\$ <u>1,608,996</u>		\$ <u>1,608,996</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year,	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,322,742	\$ -	\$ -	\$ 1,322,742
Construction in progress	-	<u>3,007,162</u>	-	<u>3,007,162</u>
Total capital assets not being depreciated/amortized	<u>1,322,742</u>	<u>3,007,162</u>	-	<u>4,329,904</u>
Capital assets being depreciated/ amortized:				
Buildings	30,939,038	-	-	30,939,038
Machinery and equipment	6,959,539	207,665	34,664	7,132,540
Infrastructure	<u>17,609,293</u>	<u>1,128,756</u>	-	<u>18,738,049</u>
Total capital assets being depreciated/amortized	<u>55,507,870</u>	<u>1,336,421</u>	<u>34,664</u>	<u>56,809,627</u>
Less accumulated depreciation/ amortization for:				
Buildings	19,750,156	493,339	-	20,243,495
Machinery and equipment	5,209,532	374,523	34,664	5,549,391
Infrastructure	<u>4,384,792</u>	<u>992,091</u>	-	<u>5,376,883</u>
Total accumulated depreciation/ amortization	<u>29,344,480</u>	<u>1,859,953</u>	<u>34,664</u>	<u>31,169,769</u>
Total capital assets being depreciated/amortized, net	<u>26,163,390</u>	<u>(523,532)</u>	-	<u>25,639,858</u>
Governmental activities capital assets, net	\$ <u>27,486,132</u>	\$ <u>2,483,630</u>	\$ <u>-</u>	\$ <u>29,969,762</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 240,585
Physical health and social services	12,739
Mental health	1,382
County environment and education	31,184
Roads and transportation	1,235,721
Governmental services to residents	159,648
Administration	<u>178,694</u>
Total depreciation/amortization expense -- governmental activities	\$ <u>1,859,953</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 35,713
Special Revenue:		
MH-DD	Services	632,903
Secondary roads		926
Recorder's electronic fees		438
Jail commissary		50
Total for governmental funds		\$ <u>670,030</u>
Agency:		
Schools	Collections	\$ 15,427,821
Corporations		14,302,086
Area schools		853,051
Auto license and use tax		656,188
County assessor		801,897
Townships		323,304
Agricultural extension education		218,324
E911		378,187
All other		<u>213,938</u>
Total for agency funds		\$ <u>33,174,796</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Capital Leases</u>	<u>Installment Purchases</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 2,065,000	\$ 386,342	\$ 40,136	\$ 720,540	\$ 302,896	\$ 3,514,914
Increases	-	-	-	701,863	40,893	742,756
Decreases	<u>(230,000)</u>	<u>(91,541)</u>	<u>(24,414)</u>	<u>(720,540)</u>	<u>-</u>	<u>(1,066,495)</u>
Balance end of year	\$ <u>1,835,000</u>	\$ <u>294,801</u>	\$ <u>15,722</u>	\$ <u>701,863</u>	\$ <u>343,789</u>	\$ <u>3,191,175</u>
Due within one year	\$ <u>235,000</u>	\$ <u>100,855</u>	\$ <u>15,722</u>	\$ <u>701,863</u>	\$ <u>-</u>	\$ <u>1,053,440</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2012 general obligation capital loan note indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.00	\$ 235,000	\$ 66,356	\$ 301,356
2014	3.30	245,000	59,306	304,306
2015	3.50	250,000	51,220	301,220
2016	3.65	260,000	42,470	302,470
2017	3.80	270,000	32,980	302,980
2018	3.90	280,000	22,720	302,720
2019	4.00	<u>295,000</u>	<u>11,800</u>	<u>306,800</u>
		\$ <u>1,835,000</u>	\$ <u>286,852</u>	\$ <u>2,121,852</u>

During the year ended June 30, 2012, the County issued no general obligation capital loan notes.

Installment Purchase Agreement

During the year ended June 30, 2010, the County purchased equipment under an installment purchase agreement. The agreements call for annual payments, including interest at 7%. Future maturities at June 30, 2012 are as follows:

Year Ended  
June 30,

2013 \$ 15,722

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease equipment with a historical cost of \$491,747. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.25% to 4.20% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

Year Ended  
June 30,

2013	\$ 105,405
2014	105,407
2015	<u>105,407</u>
Total minimum lease payments	316,219
Less amount representing interest	<u>21,418</u>

Present value of net minimum lease payments \$ 294,801

Payments under capital lease purchase agreements totaled \$105,405 for the year ended June 30, 2012.



WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$474,783, \$392,143 and \$363,835, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Wapello County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$198,139.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 8: RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Wapello County Employee Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Wapello County Employee Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Wapello County Employee Health Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$2,076,903.

Amounts payable from the Wapello County Employee Health Fund at June 30, 2012 total \$148,395 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$962,946 at June 30, 2012 and is reported as a designation of the Internal Service, Wapello County Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 167,788
Incurred claims (including claims incurred but not reported at June 30, 2012):	
Current-year events	1,954,429
Payments:	
Current and prior year events	<u>1,973,822</u>
Unpaid claims end of year	\$ <u>148,395</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10: CONTINGENT LIABILITIES

The County is contingently liable on United States Department of Agriculture Rural Development notes for the Wapello County Rural Fire Agency (a 28E Organization) and the Washington Township. At June 30, 2012, these loans had outstanding balances of \$155,355 and \$12,953, respectively. The County is contingently liable on an additional United States Department of Agriculture Rural Development note for the Wapello County Rural Fire Agency (a 28E Organization). At June 30, 2012, the note had an outstanding balance of \$113,528. Since the interest and principal are currently paid by the respective entities, these liabilities have not been recorded in the Statement of Net Assets.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical benefits for employees and retirees and their spouses. There are 144 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a partially self funded medical plan with stop loss coverage provided by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	153,669
Interest on net OPEB obligation		12,116
Adjustment to annual required contribution		<u>(12,037)</u>
Annual OPEB cost		153,748
Contributions made		<u>(112,855)</u>
Increase in net OPEB obligation		40,893
Net OPEB obligation beginning of year		<u>302,896</u>
Net OPEB obligation end of year	\$	<u>343,789</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$112,855 to the medical plan.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2010	\$ <u>171,121</u>	38.24%	\$ <u>215,271</u>
2011	\$ <u>173,090</u>	49.38%	\$ <u>302,896</u>
2012	\$ <u>153,748</u>	73.40%	\$ <u>343,789</u>

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,567,072 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,567,072. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,262,639 and the ratio of the UAAL to covered payroll was 29.78%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using the alternate valuation method as prescribed by GASB 45.

Projected claim costs of the medical plan are \$657 (\$1,411 for retiree and spouse coverage) per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 19, 2013, the date the financial statements were available to be issued.

## OTHER INFORMATION

WAPELLO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<b><u>RECEIPTS:</u></b>				
Property and other County tax	\$ 11,230,476	\$ 11,092,195	\$ 11,092,195	\$ 138,281
Interest and penalty on property tax	172,774	141,000	141,000	31,774
Intergovernmental	10,109,578	9,445,699	10,781,756	(672,178)
Licenses and permits	64,164	54,650	54,650	9,514
Charges for service	821,699	818,697	818,697	3,002
Use of money and property	219,603	221,638	221,638	(2,035)
Miscellaneous	526,032	406,386	456,386	69,646
Total receipts	<u>23,144,326</u>	<u>22,180,265</u>	<u>23,566,322</u>	<u>(421,996)</u>
<b><u>DISBURSEMENTS:</u></b>				
Public safety and legal services	3,691,871	3,603,756	3,773,363	81,492
Physical health and social services	1,533,429	1,662,085	1,728,682	195,253
Mental health	5,570,679	4,971,462	6,263,367	692,688
County environment and education	850,843	920,761	930,261	79,418
Roads and transportation	4,075,237	3,827,650	4,077,650	2,413
Governmental services to residents	627,209	731,144	745,466	118,257
Administration	2,785,544	2,808,318	2,842,318	56,774
Non-program	132,621	131,390	133,447	826
Debt service	303,425	314,026	314,026	10,601
Capital projects	4,850,259	5,318,000	5,795,056	944,797
Total disbursements	<u>24,421,117</u>	<u>24,288,592</u>	<u>26,603,636</u>	<u>2,182,519</u>
Excess (deficiency) of receipts over (under) disbursements	(1,276,791)	(2,108,327)	(3,037,314)	1,760,523
Other financing sources (uses), net	<u>1,038</u>	<u>3,000</u>	<u>3,000</u>	<u>(1,962)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,275,753)	(2,105,327)	(3,034,314)	1,758,561
<b><u>BALANCE - Beginning of year</u></b>	<u>11,546,539</u>	<u>9,498,181</u>	<u>11,546,531</u>	<u>8</u>
<b><u>BALANCE - End of year</u></b>	\$ <u>10,270,786</u>	\$ <u>7,392,854</u>	\$ <u>8,512,217</u>	\$ <u>1,758,569</u>

See Accompanying Independent Auditor's Report

WAPELLO COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 23,144,326	\$ 275,957	\$ 23,420,283
Expenditures	<u>24,421,117</u>	<u>693,780</u>	<u>23,727,337</u>
Net	(1,276,791)	969,737	(307,054)
Other financing sources (uses)	1,038	(2)	1,036
Beginning fund balance	<u>11,546,539</u>	<u>(1,253,038)</u>	<u>10,293,501</u>
Ending fund balance	\$ <u>10,270,786</u>	\$ <u>(283,303)</u>	\$ <u>9,987,483</u>

WAPELLO COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,315,044. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.



WAPELLO COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal</u> <u>Year</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>( a )</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>( b )</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>( b - a )</u>	<u>Funded</u> <u>Ratio</u> <u>( a/b )</u>	<u>Covered</u> <u>Payroll</u> <u>( c )</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>( (b-a)/c )</u>
2010	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>5,118,699</u>	27.64%
2011	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>5,370,853</u>	26.34%
2012	July 1, 2011	\$ <u>-</u>	\$ <u>1,567,072</u>	\$ <u>1,567,072</u>	0.00%	\$ <u>5,262,639</u>	29.78%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

## WAPELLO COUNTY, IOWA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 868,896	\$ 47,002	\$ 915,898
Receivables:			
Property tax:			
Delinquent	5,640	1,745	7,385
Succeeding year	949,683	293,774	1,243,457
Accounts Receivable	7,170	-	7,170
Due from other governments	<u>109,548</u>	<u>522</u>	<u>110,070</u>
TOTAL ASSETS	\$ <u>1,940,937</u>	\$ <u>343,043</u>	\$ <u>2,283,980</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 81,391	\$ -	\$ 81,391
Salaries and benefits payable	5,230	-	5,230
Due to other governments	488	-	488
Deferred revenue:			
Succeeding year property tax	949,683	293,774	1,243,457
Other	<u>5,537</u>	<u>1,609</u>	<u>7,146</u>
Total liabilities	<u>1,042,329</u>	<u>295,383</u>	<u>1,337,712</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Debt Service	-	47,660	47,660
Other purposes	<u>898,608</u>	<u>-</u>	<u>898,608</u>
Total fund balance	<u>898,608</u>	<u>47,660</u>	<u>946,268</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,940,937</u>	\$ <u>343,043</u>	\$ <u>2,283,980</u>

## WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	Special Revenue	Debt Service	Total
<b><u>REVENUES:</u></b>			
Property and other County tax	\$ 1,711,610	\$ 301,177	\$ 2,012,787
Intergovernmental	66,331	12,860	79,191
Licenses and permits	59,354	-	59,354
Charges for service	12,099	-	12,099
Use of money and property	31,743	20	31,763
Miscellaneous	7,682	-	7,682
Total revenues	<u>1,888,819</u>	<u>314,057</u>	<u>2,202,876</u>
<b><u>EXPENDITURES:</u></b>			
Operating:			
Public safety and legal services	160,175	-	160,175
County environment and education	351,042	-	351,042
Roads and transportation	257,717	-	257,717
Governmental services to residents	3,902	-	3,902
Administration	9,313	-	9,313
Debt service	-	303,426	303,426
Capital projects	169,985	-	169,985
Total expenditures	<u>952,134</u>	<u>303,426</u>	<u>1,255,560</u>
Excess of revenues over expenditures	936,685	10,631	947,316
Other financing uses:			
Transfers out	<u>(850,000)</u>	<u>-</u>	<u>(850,000)</u>
Excess of revenues over expenditures and other financing uses	86,685	10,631	97,316
<b><u>FUND BALANCES - Beginning of year</u></b>	<u>811,923</u>	<u>37,029</u>	<u>848,952</u>
<b><u>FUND BALANCES - End of year</u></b>	<u>\$ 898,608</u>	<u>\$ 47,660</u>	<u>\$ 946,268</u>

WAPELLO COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2012

	<u>Rural Services</u>	<u>AGHWC Maint</u>	<u>County Recorder's Records Management</u>
<u>ASSETS</u>			
Cash and pooled investments	\$ 292,200	\$ 6,000	\$ 27,656
Receivables:			
Property tax:			
Delinquent	5,640	-	-
Succeeding year	949,683	-	-
Accounts	-	-	1,334
Due from other governments	<u>54,774</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>1,302,297</u>	\$ <u>6,000</u>	\$ <u>28,990</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 1,372	\$ -	\$ -
Salaries and benefits payable	5,230	-	-
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	949,683	-	-
Other	<u>5,537</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>961,822</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>340,475</u>	<u>6,000</u>	<u>28,990</u>
Total fund balances	<u>340,475</u>	<u>6,000</u>	<u>28,990</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,302,297</u>	\$ <u>6,000</u>	\$ <u>28,990</u>

<u>Local Option Tax</u>	<u>REAP Fund</u>	<u>Recorder's Electronic Fees</u>	<u>Jail Commissary Fund</u>	<u>Wellness Fund</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ 291,093	\$ 164,565	\$ 438	\$ 82,231	\$ 953	\$ 3,760	\$ 868,896
-	-	-	-	-	-	5,640
-	-	-	-	-	-	949,683
-	2	-	5,834	-	-	7,170
<u>54,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,548</u>
\$ <u>345,867</u>	\$ <u>164,567</u>	\$ <u>438</u>	\$ <u>88,065</u>	\$ <u>953</u>	\$ <u>3,760</u>	\$ <u>1,940,937</u>
\$ 45,049	\$ -	\$ -	\$ 34,970	\$ -	\$ -	\$ 81,391
-	-	-	-	-	-	5,230
-	-	438	50	-	-	488
-	-	-	-	-	-	949,683
-	-	-	-	-	-	5,537
<u>45,049</u>	<u>-</u>	<u>438</u>	<u>35,020</u>	<u>-</u>	<u>-</u>	<u>1,042,329</u>
<u>300,818</u>	<u>164,567</u>	<u>-</u>	<u>53,045</u>	<u>953</u>	<u>3,760</u>	<u>898,608</u>
<u>300,818</u>	<u>164,567</u>	<u>-</u>	<u>53,045</u>	<u>953</u>	<u>3,760</u>	<u>898,608</u>
\$ <u>345,867</u>	\$ <u>164,567</u>	\$ <u>438</u>	\$ <u>88,065</u>	\$ <u>953</u>	\$ <u>3,760</u>	\$ <u>1,940,937</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2012

	<u>Rural Services</u>	<u>AGHWC Maint</u>	<u>County Recorder's Records Management</u>	<u>Local Option Tax</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 1,370,652	\$ -	\$ -	\$ 340,958
Intergovernmental	49,796	-	-	-
Licenses and permits	59,354	-	-	-
Charges for service	331	-	5,414	-
Use of money and property	-	-	4	-
Miscellaneous	-	3,000	-	-
Total revenues	<u>1,480,133</u>	<u>3,000</u>	<u>5,418</u>	<u>340,958</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	109,481	-	-	-
County environment and education	220,545	-	-	124,143
Roads and transportation	257,717	-	-	-
Governmental services to residents	2,069	-	1,833	-
Administration	5,266	-	-	-
Capital projects	-	-	-	169,985
Total expenditures	<u>595,078</u>	<u>-</u>	<u>1,833</u>	<u>294,128</u>
Excess (deficiency) of revenues over (under) expenditures	885,055	3,000	3,585	46,830
Other financing uses:				
Transfers out	<u>(850,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	35,055	3,000	3,585	46,830
<u>FUND BALANCES</u> - Beginning of year	<u>305,420</u>	<u>3,000</u>	<u>25,405</u>	<u>253,988</u>
<u>FUND BALANCES</u> - End of year	\$ <u>340,475</u>	\$ <u>6,000</u>	\$ <u>28,990</u>	\$ <u>300,818</u>

<u>REAP</u> <u>Fund</u>	<u>Recorder's</u> <u>Electronic</u> <u>Fees</u>	<u>Jail</u> <u>Commissary</u> <u>Fund</u>	<u>Wellness</u> <u>Fund</u>	<u>Drainage</u> <u>Districts</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711,610
16,535	-	-	-	-	66,331
-	-	-	-	-	59,354
-	6,354	-	-	-	12,099
26	-	31,713	-	-	31,743
-	-	-	4,682	-	7,682
<u>16,561</u>	<u>6,354</u>	<u>31,713</u>	<u>4,682</u>	<u>-</u>	<u>1,888,819</u>
-	-	50,694	-	-	160,175
-	6,354	-	-	-	351,042
-	-	-	-	-	257,717
-	-	-	-	-	3,902
-	-	-	4,047	-	9,313
-	-	-	-	-	169,985
<u>-</u>	<u>6,354</u>	<u>50,694</u>	<u>4,047</u>	<u>-</u>	<u>952,134</u>
16,561	-	(18,981)	635	-	936,685
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(850,000)</u>
16,561	-	(18,981)	635	-	86,685
<u>148,006</u>	<u>-</u>	<u>72,026</u>	<u>318</u>	<u>3,760</u>	<u>811,923</u>
\$ <u>164,567</u>	\$ <u>-</u>	\$ <u>53,045</u>	\$ <u>953</u>	\$ <u>3,760</u>	\$ <u>898,608</u>



WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2012

		<u>County Offices</u>	
		<u>County Recorder</u>	<u>County Sheriff</u>
<u>ASSETS</u>			
Cash and pooled investments:			
County Treasurer	\$	-	\$ -
Other County officials		65,117	52,154
Receivables:			
Accounts receivable		-	-
Property tax:			
Delinquent		-	-
Succeeding year		-	-
Due from other governments		-	-
		<u>-</u>	<u>-</u>
TOTAL ASSETS	\$	<u>65,117</u>	\$ <u>52,154</u>
<u>LIABILITIES</u>			
Accounts payable	\$	-	\$ -
Due to other governments		65,117	9,001
Compensated absences		-	-
Trusts payable		<u>-</u>	<u>43,153</u>
TOTAL LIABILITIES	\$	<u>65,117</u>	\$ <u>52,154</u>

<u>E911</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ 344,840	\$ 28,837	\$ 75	\$ 334,278	\$ 5,872	\$ 352,876	\$ 21,215
-	-	-	-	-	-	-
24,568	-	6	-	-	-	-
-	-	20	82,468	1,874	89,005	4,911
-	-	3,449	13,885,340	315,558	14,985,940	826,925
<u>11,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>380,419</u>	\$ <u>28,837</u>	\$ <u>3,550</u>	\$ <u>14,302,086</u>	\$ <u>323,304</u>	\$ <u>15,427,821</u>	\$ <u>853,051</u>
\$ 2,232	\$ 1,961	\$ -	\$ -	\$ -	\$ -	\$ -
378,187	24,019	3,550	14,302,086	323,304	15,427,821	853,051
-	2,857	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>380,419</u>	\$ <u>28,837</u>	\$ <u>3,550</u>	\$ <u>14,302,086</u>	\$ <u>323,304</u>	\$ <u>15,427,821</u>	\$ <u>853,051</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2012

	County Conservation Trust	County Assessor
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ 1,045	\$ 322,332
Other County officials	-	-
Receivables:		
Accounts receivable	-	919
Property tax:		
Delinquent	-	2,932
Succeeding year	-	493,740
Due from other governments	-	-
TOTAL ASSETS	\$ <u>1,045</u>	\$ <u>819,923</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 4,612
Due to other governments	-	801,897
Compensated absences	-	13,414
Trusts payable	<u>1,045</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>1,045</u>	\$ <u>819,923</u>

Schedule 5  
(Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Partial Payment</u>	<u>Total</u>
\$ 5,397	\$ 656,188	\$ 12,767	\$ 99,434	\$ 50	\$ 2,185,206
-	-	-	-	-	117,271
-	-	-	-	-	25,493
1,257	-	-	-	-	182,467
211,670	-	-	-	-	30,722,622
-	-	-	-	-	11,011
<u>\$ 218,324</u>	<u>\$ 656,188</u>	<u>\$ 12,767</u>	<u>\$ 99,434</u>	<u>\$ 50</u>	<u>\$ 33,244,070</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,805
218,324	656,188	12,767	99,434	50	33,174,796
-	-	-	-	-	16,271
-	-	-	-	-	44,198
<u>\$ 218,324</u>	<u>\$ 656,188</u>	<u>\$ 12,767</u>	<u>\$ 99,434</u>	<u>\$ 50</u>	<u>\$ 33,244,070</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u>56,083</u>	\$ <u>31,791</u>
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Reimbursements	-	-
Office fees and collections	315,420	104,793
Auto licenses, use tax and postage	41,014	-
Trusts	-	842,358
Miscellaneous	<u>274</u>	<u>9</u>
Total additions	<u>356,708</u>	<u>947,160</u>
Deductions:		
Agency remittances:		
To other funds	171,158	-
To other governments	176,516	-
Trusts paid out	-	926,797
Total deductions	<u>347,674</u>	<u>926,797</u>
Balances end of year	\$ <u>65,117</u>	\$ <u>52,154</u>

<u>E911</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ <u>401,231</u>	\$ <u>23,856</u>	\$ <u>3,228</u>	\$ <u>13,673,505</u>	\$ <u>318,473</u>	\$ <u>14,993,080</u>	\$ <u>900,454</u>
-	-	3,514	13,547,820	338,953	15,185,588	846,847
168,566	-	-	-	-	-	-
-	-	132	534,867	13,040	622,448	37,171
-	119,886	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
155	-	-	-	-	-	-
<u>168,721</u>	<u>119,886</u>	<u>3,646</u>	<u>14,082,687</u>	<u>351,993</u>	<u>15,808,036</u>	<u>884,018</u>
-	-	-	-	-	-	-
189,533	114,905	3,324	13,454,106	347,162	15,373,295	931,421
-	-	-	-	-	-	-
<u>189,533</u>	<u>114,905</u>	<u>3,324</u>	<u>13,454,106</u>	<u>347,162</u>	<u>15,373,295</u>	<u>931,421</u>
\$ <u>380,419</u>	\$ <u>28,837</u>	\$ <u>3,550</u>	\$ <u>14,302,086</u>	\$ <u>323,304</u>	\$ <u>15,427,821</u>	\$ <u>853,051</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	County Conservation <u>Trust</u>	County Assessor	Agricultural Extension <u>Education</u>
Balances beginning of year	\$ <u>1,045</u>	\$ <u>610,114</u>	\$ <u>210,522</u>
Additions:			
Property and other County tax	-	485,016	217,149
E911 surcharge	-	-	-
State tax credits	-	20,378	8,417
Reimbursements	-	-	-
Office fees and collections	-	258	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	1,029	-
Total additions	<u>-</u>	<u>506,681</u>	<u>225,566</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	-	296,872	217,764
Trusts paid out	-	-	-
Total deductions	<u>-</u>	<u>296,872</u>	<u>217,764</u>
Balances end of year	\$ <u>1,045</u>	\$ <u>819,923</u>	\$ <u>218,324</u>

Schedule 6  
(Continued)

Auto License and Use Tax	Special Assessments	Advance Tax	Partial Payment Fund	Tax Redemption	Total
\$ 645,005	\$ 9,163	\$ 79,951	\$ 50	\$ -	\$ 31,957,551
-	59,784	111,747	-	681,358	31,477,776
-	-	-	-	-	168,566
-	-	-	-	-	1,236,453
-	-	-	-	-	119,886
-	-	-	-	-	420,471
8,224,639	-	-	-	-	8,265,653
-	-	-	-	-	842,358
-	-	-	-	-	1,467
<u>8,224,639</u>	<u>59,784</u>	<u>111,747</u>	<u>-</u>	<u>681,358</u>	<u>42,532,630</u>
279,640	-	-	-	-	450,798
7,933,816	56,180	92,264	-	-	39,187,158
-	-	-	-	681,358	1,608,155
<u>8,213,456</u>	<u>56,180</u>	<u>92,264</u>	<u>-</u>	<u>681,358</u>	<u>41,246,111</u>
\$ 656,188	\$ 12,767	\$ 99,434	\$ 50	\$ -	\$ 33,244,070



WAPELLO COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 11,226,576	\$ 11,268,853	\$ 10,826,651	\$ 10,404,132
Interest and penalty on property tax	174,129	168,276	161,408	145,270
Intergovernmental	10,313,272	7,422,708	6,384,045	6,824,410
Licenses and permits	64,204	37,658	54,931	38,111
Charges for service	845,005	847,670	796,228	794,444
Use of money and property	223,309	218,487	233,464	312,897
Miscellaneous	<u>573,788</u>	<u>356,317</u>	<u>382,279</u>	<u>480,648</u>
Total	\$ <u>23,420,283</u>	\$ <u>20,319,969</u>	\$ <u>18,839,006</u>	\$ <u>18,999,912</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	\$ 3,637,274	\$ 3,543,591	\$ 3,354,911	\$ 3,185,458
Physical health and social services	1,394,509	1,647,211	1,454,512	1,530,701
Mental health	5,024,991	4,323,831	3,647,255	4,313,628
County environment and education	845,837	981,994	1,115,010	919,729
Roads and transportation	3,885,452	4,371,424	3,945,493	3,883,815
Governmental services to residents	611,380	559,997	592,845	566,725
Administration	2,749,286	2,670,332	2,572,225	2,585,350
Non-program	128,671	122,180	121,154	128,107
Debt service	303,426	299,438	299,907	-
Capital projects	<u>5,146,511</u>	<u>2,002,381</u>	<u>915,872</u>	<u>3,108,318</u>
Total	\$ <u>23,727,337</u>	\$ <u>20,522,379</u>	\$ <u>18,019,184</u>	\$ <u>20,221,831</u>

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
\$ 10,079,422	\$ 9,885,133	\$ 8,800,575	\$ 7,889,357	\$ 7,412,239	\$ 10,199,466
130,642	148,757	130,505	118,907	123,785	157,709
6,086,157	5,727,522	6,480,923	6,022,435	6,373,929	6,000,077
71,291	68,963	73,193	74,018	66,950	39,421
800,920	849,239	883,848	973,789	905,309	793,614
509,770	608,468	448,982	253,939	156,225	230,871
350,122	365,097	281,346	259,546	1,088,472	736,661
<u>\$ 18,028,324</u>	<u>\$ 17,653,179</u>	<u>\$ 17,099,372</u>	<u>\$ 15,591,991</u>	<u>\$ 16,126,909</u>	<u>\$ 18,157,819</u>
\$ 3,019,224	\$ 3,091,326	\$ 3,297,740	\$ 3,092,384	\$ 3,160,480	\$ 2,931,276
1,386,321	1,601,856	1,609,077	1,511,227	1,411,784	773,088
4,291,623	4,022,761	3,857,419	4,051,923	3,648,067	4,104,385
958,068	648,474	653,939	626,551	513,364	953,145
3,769,465	3,846,746	3,497,777	3,466,473	3,475,049	3,502,397
553,806	499,305	745,395	482,318	537,526	494,685
2,464,761	2,527,710	2,225,882	2,221,108	2,022,641	2,053,950
348,817	107,441	97,637	96,247	83,210	80,668
3,095	179,376	193,889	198,258	751,945	720,396
841,774	601,809	1,435,809	1,149,229	1,171,399	742,740
<u>\$ 17,636,954</u>	<u>\$ 17,126,804</u>	<u>\$ 17,614,564</u>	<u>\$ 16,895,718</u>	<u>\$ 16,775,465</u>	<u>\$ 16,356,730</u>

## WAPELLO COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u>			
<u>United States Department of Justice:</u>			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-12-63	\$ <u>25,177</u>
Public Safety Partnership and Community Policing Grants	16.710	-	<u>34,651</u>
Iowa Department of Public Safety:			
Governor's Alliance on Substance Abuse:			
Violence Against Women Formula Grants	16.588	VW-12-63	<u>44,497</u>
<u>United States Department of Agriculture:</u>			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administration Matching Grants for			
The Supplemental Nutrition Assistance Program	10.561	-	<u>36,030</u>
<u>United States Department of Transportation:</u>			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	-	<u>39,909</u>
<u>United States Department of Health and Human Services:</u>			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	-	<u>8,460</u>
Public Health Emergency Preparedness	93.069	-	<u>22,476</u>
Community Transformation Grants and National Dissemination			
and Support for Community Transformation Grants	93.531	-	<u>15,052</u>
Iowa Department of Human Services:			
Refugee and Entrant Assistance - State Administered Programs	93.566	-	<u>65</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	-	<u>7,969</u>
Foster Care - Title IV - E	93.658	-	<u>13,142</u>
Children's Health Insurance Program	93.767	-	<u>125</u>

WAPELLO COUNTY, IOWA

Schedule 8  
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM:</u>	<u>CFDA</u> <u>Number</u>	<u>Agency or Pass-</u> <u>Through Number</u>	<u>Program</u> <u>Expenditures</u>
<u>INDIRECT: (Continued)</u>			
<u>United States Department of Health and Human Services:</u>			
<u>(Continued)</u>			
Iowa Department of Human Services: (Continued)			
Adoption Assistance	93.659	-	<u>3,832</u>
Medical Assistance Program	93.778	-	<u>33,836</u>
Social Services Block Grant	93.667	-	<u>219,621</u>
<u>United States Department of Homeland Security:</u>			
<u>Federal Emergency Management Agency:</u>			
Disaster Grants - Public Assistance	97.036	-	<u>24,206</u>
Emergency Management Performance Grants	97.042	-	<u>32,326</u>
Total			\$ <u>561,374</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Wapello County, Iowa and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Wapello County, Iowa:

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of Wapello County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 19, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The Management of Wapello County, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wapello County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wapello County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies that we consider to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 12-II-A to be significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wapello County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Wapello County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello County, Iowa and other parties to whom Wapello County, Iowa may report including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wapello County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 19, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Wapello County, Iowa

Compliance

We have audited Wapello County, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have direct and material effect on its major federal programs for the year ended June 30, 2012. Wapello County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Wapello County, Iowa's management. Our responsibility is to express an opinion on Wapello County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wapello County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wapello County, Iowa's compliance with those requirements.

In our opinion, Wapello County, Iowa complied, in all material respects, with the requirements referred to above that could have direct and material effect on its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of Wapello County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Wapello County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wapello County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We noted no deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weaknesses in internal control over compliance, yet important enough to merit attention by those charged with governance.

Wapello County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Wapello County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello County, Iowa and other parties to whom Wapello County, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 19, 2013



WAPELLO COUNTY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number:   16.575 Crime Victim Assistance  
  93.667 Social Services Block Grant  
  20.205 Highway Planning and Construction
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Wapello County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- 12-II-A Capital Asset Deletions – During our review of capital assets, it was determined that the County does not have a written policy regarding the deletion of capital assets.

Recommendation – The County should adopt a policy that includes who has authority to delete an asset, when this can be done and what documentation should be maintained relating to the deletion.

Response – We will adopt a policy for capital asset deletions.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

WAPELLO COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting

- 12-IV-A Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- 12-IV-B Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 12-IV-D Business Transactions – No business transactions between the County and County officials or employees were noted.
- 12-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- 12-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, in accordance with the Code of Iowa, the Board of Supervisors is required to cite an appropriate exemption when they go into closed session. On March 21, 2012, the Board of Supervisors went into closed session without citing a code of Iowa exemption.

Recommendation – The Board of Supervisors should comply with the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

- 12-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 12-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 12-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.